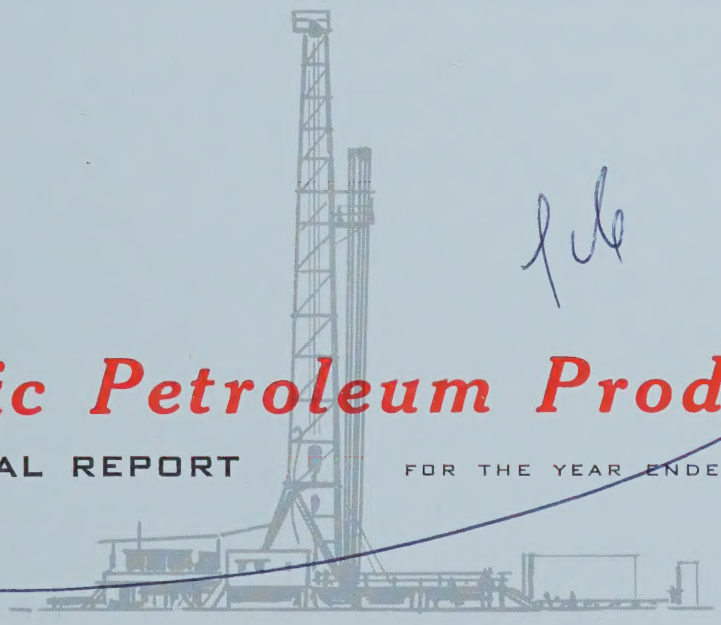
AR51



Dynamic Petroleum Products Ltd.

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1968

A member of the DYNAMIC GROUP

1968

Tenth Annual Report

to December 31, 1968

of

DYNAMIC PETROLEUM PRODUCTS LTD.

(Incorporated under the Companies Act of the Province of Alberta)

AUTHORIZED CAPITAL

10,000,000 Shares of No Par Value

Issued: 7,571,632

REGISTERED OFFICE

210 Fina Building, 736 - 8th Avenue South West

Calgary 2, Alberta, Canada

OFFICERS and DIRECTORS

Frank Brown, President	Calgary, Alberta
Roger D. Paugh, Vice-President	Calgary, Alberta
Robert Clive Brown, Secretary-Treasurer	Calgary, Alberta
Archibald Park Newall, Jr.	Calgary, Alberta

REGISTRAR

Guaranty Trust Company of Canada	Calgary, Alberta

TRANSFER AGENT

Guaranty Trust Company of Canada	Calgary, Alberta
	Toronto, Ontario

AUDITORS

Purdy, Giles, Wyllie and Co.	Calgary, Alberta

BANKERS

Royal Bank of Canada Centre Street and 8th Avenue Branch	Calgary, Alberta

LISTED

Toronto Stock Exchange	Toronto, Ontario

Report of the Directors

TO THE SHAREHOLDERS

The annual report and financial statements of the company for the year ended December 31, 1968 are presented herewith.

CORPORATE AFFAIRS

The company is the beneficial owner of 1,700,000 shares of Royal Canadian Ventures Ltd., 1,193,939 shares of Mill City Petroleums Limited and 102,000 shares of Crusade Petroleum Corporation Limited. The quoted market value of the said shares at December 31, 1968, the date of the accompanying balance sheet, was $13,078;680, whereas at the date of this report the quoted market value of said shares has increased to $14,114,322. The company's original investment in these shareholdings of associated companies amounted to the sum of $759,640.

FINANCIAL

During the year under review the operations of the company resulted in a net profit of $57,614 as compared with a net loss during the preceding year of $140,715, expenditures for exploration and development amounted to $292,719 as compared with $572,481 expended for this purpose during the preceding year and working capital increased by $713,113 to $1,191,190 at the year end.

In comparison with the preceding year net profits increased by $198,329 as follows:

	1968	1967	increase (decrease)
Revenue			
Income from production, royalties and interest	$ 99,391	$ 61,356	$ 38,035
Gain on sale of properties and securities	22,442	103,374	(80,932)
Cash proceeds from settlement of lawsuit - net after legal fees	228,000	-	228,000
	349,833	164,730	185,103
Expense			
Exploratory costs, rentals and dry hole costs	168,312	192,728	(24,416)
Administrative and general expense	68,648	58,495	10,153
Wells drilled and properties acquired in prior years which were abandoned in the current year	47,142	46,453	689
Depletion and depreciation	6,494	7,769	(1,275)
Other	1,623	-	1,623
	292,219	305,445	(13,226)
Net profit (loss) for the year	$ 57,614	$(140,715)	$198,329

Expenditures for purposes of exploration and development activity decreased by the sum of $279,762 in comparison with the preceding year as follows:

	1968	1967	increase (decrease)
Acquisition of petroleum, natural gas and mining interests	$112,259	$226,959	$(114,700)
Drilling costs:			
Productive wells	4,596	136,695	(132,099)
Non-productive wells	72,957	76,962	(4,005)
Geological and geophysical surveys	77,149	90,566	(13,417)
Rentals and other carrying charges	18,206	25,200	(6,994)
Production equipment	7,552	16,099	(8,547)
	$292,719	$572,481	$(279,762)

Pursuant to an underwriting agreement dated February 12, 1968 the company sold 650,000 treasury shares to New Continental Oil Company of Canada Limited in consideration of the cash sum of $715,000. In March, 1968 the company settled by mutual agreement before trial a legal action involving 23,840 acres of petroleum and natural gas rights in the Rainbow area of northern Alberta for the cash sum of $250,000 ($228,000 net after legal fees) and other valuable consideration as set forth in our 1967 annual report. Due primarily to these transactions working capital increased from $478,077 at December 31, 1967 to $1,191,190 at the end of the current year.

EXPLORATION AND DEVELOPMENT

GENERAL

The much publicized oil discovery in the Prudhoe Bay area of Alaska has shifted the exploration front and the search for major oil reserves is in new basin areas in the Yukon, Northwest Territories, the Arctic Islands and offshore from both the east and west coasts where the oil and gas industry will expend vast sums in 1969. Your directors did not deem it advisable to extend the company's oil and gas exploration activity into these areas due to the tremendously high costs involved and the fact that the company is indirectly represented in the Canadian Arctic, the Northwest Territories and Alaska through affiliated companies, Mill City Petroleums Limited, New Continental Oil Company of Canada Limited and Permo Gas & Oil Limited. As an alternative, the company has stepped up its exploration program, in co-operation with associated companies, in the search for base and precious metals and results attained to the date of this report, hereinafter referred to, are indeed encouraging and could materially affect the future prosperity of the company and its shareholders.

DEVELOPMENT

In the Rainbow oilfield area of the Province of Alberta the company, in co-operation with Consolidated East Crest Oil Company Limited and New Continental Oil Company of Canada Limited, each as to an undivided 33 1/3% interest, acquired two petroleum and

natural gas leases, being the west half of Section 9 and the northwest quarter of Section 34, both in Township 110, Range 7, W6M., at a Crown sale held in January, 1968 for a total bonus payment of $330,000. A detailed seismic survey was conducted over these lands but notwithstanding, two non-productive wells were drilled thereon during the year under review.

The company and associated companies participated with Imperial Oil Limited in the drilling of one successful oil well in Section 28-110-7 W6M and Dynamic is now the owner of an 8.333% interest in three producing wells and a 4.166% interest in one producing well, all situate in the Rainbow area of the Province of Alberta, together with the interest in producing properties, including royalty interests, as more particularly listed elsewhere in this report.

Insofar as the royalty lands in the Rainbow Lake area held jointly by Pan American and Mobil Oil are concerned, we have been informed that the operator has completed a comprehensive geophysical survey the results of which are now being interpreted. It is anticipated that further exploratory operations will be conducted over these lands during the coming year since 50% of the lands must be returned to Dynamic by March, 1970.

JOINT MINERAL EXPLORATION PROGRAM

SASKATCHEWAN

In 1967 Dynamic and associated companies completed an extensive preliminary uranium exploration program covering the entire Athabasca Sandstone area of northern Saskatchewan comprising some 20 million acres. This program involved the flying of approximately 15,000 linear miles of traverses across the subject area using aircraft owned by our group of companies which was equipped with the latest and most modern uranium detection equipment. Results obtained were then interpreted by Seigel Associates Limited of Toronto, consulting geophysicists, and by company geologists.

Following completion of the aforesaid exploration program and the interpretation of the results thereof a joint mineral exploration agreement was entered into with Gulf Minerals Company, a wholly-owned subsidiary of Gulf Oil Corporation, Pittsburgh, U.S.A. Pursuant to the terms of this agreement Gulf conducted an extensive on-the-ground exploration program employing surface geological parties, four diamond drilling crews and support aircraft.

On December 3, 1968 Gulf issued a press release at a press conference attended by the Premier of the Province of Saskatchewan, in Regina, Saskatchewan, to announce that it had drilled an exploratory hole in which it had encountered ore grade uranium mineral-

ization. Such hole was drilled at an angle for a depth of approximately 500 feet and a gamma ray log showed an equivalent average grade of approximately 0.6% uranium oxide (U_3O_8) in selected zones totalling 195 feet. The ore grade indicated is reported to be three times better than that found at Beaverlodge, Saskatchewan, and at least four to five times better than Elliot Lake, Ontario.

Gulf Minerals Company re-entered the Wollaston Lake area in February, 1969 with one drill to commence evaluating and to determine the extent of the 1968 discovery. At the date of this report two more drills have been added to speed the evaluation. Gulf is understandably being very cautious in its approach to announcements concerning its work on the property but they have thus far publicly indicated that three drill holes have encountered high quality ore grade mineralization. On the three permit blocks in the centre of the Athabasca Sandstone basin Gulf has contracted the drilling of a deep test (3,000' to 5,000') which should commence very soon with completion expected in June or July.

Included in this report is a map of the Athabasca Sandstone area including the Wollaston Lake uranium area of the Province of Saskatchewan showing thereon all mineral exploration permits issued according to the best of our information and belief. This map highlights in red the permit lands totalling approximately 1,825,000 acres which are subject to the Gulf agreement and Note 1 thereon indicates the company's direct and approximate indirect interest in the 20% net profits interest retained by the Dynamic Group under the terms of the Gulf agreement. Also shown on this map in red outline is the area of common interest with Gulf encompassing some twenty million acres.

Of particular interest are the three permits comprising some 556,000 acres lying to the southwest of the Gulf-Dynamic Group lands shown on the attached map in light green. These lands are held by the Dynamic Group and Dynamic has a 12½% undivided interest therein. Serious negotiations are now under way to complete a joint development agreement on these tracts.

MANITOBA

The company, in association with certain other members of the Dynamic Group, acquired four mineral reservations in the northwestern portion of the Province of Manitoba containing approximately 238,000 acres which are shown on the accompanying map in pink color. These reservations are subject to agreements entered into with Scurry Rainbow Oil Limited pursuant to the terms of which:

(a) Scurry Rainbow acquired an undivided 20% interest for a share or cash consideration;

(b) Scurry Rainbow has the right to earn an additional 40% undivided interest by expending in the next four years or less the sum of $678,500 by way of exploration and development; and

(c) after earning the interest described in (b) above Scurry Rainbow is obligated, unless it surrenders all of its interest, to assume 60% (including the undivided 40% interest retained by the Dynamic Group) of all additional exploration and development expenditures up to a maximum of $5,000,000.

Dynamic and Permo Gas & Oil Limited as to an undivided 80% and 20% interest respectively, acquired six mineral reservations in the northwestern portion of the Province of Manitoba containing approximately 1,110,500 acres which are shown on the accompanying map in dark green color. These reservations are subject to agreements entered into with Sunlite Oils Limited and Scurry Rainbow Oil Limited pursuant to the terms of which:

(a) Sunlite has the right to earn an undivided 40% interest by expending in the next two years or less the sum of $800,000 by way of exploration and development;

(b) Scurry Rainbow acquired an undivided 20% interest for a share or cash consideration; and

(c) after Sunlite has earned the interest described in (a) above, Scurry Rainbow is obligated, unless it surrenders all of its interest, to assume 60% (including the undivided 40% interest retained by Dynamic and Permo) of all additional exploration and development expenditures up to a maximum of $5,000,000.

Dynamic, in association with certain other members of the Dynamic Group, also acquired five mineral reservations in Manitoba containing approximately 602,000 acres which are shown on the accompanying map in light blue color. A joint exploration and development program over these lands is being negotiated.

The map included in this report also shows thereon other mineral permits and reservations in the Wollaston Lake uranium area held by companies associated with Dynamic, the various retained interests and the extent of the exploration programs to be carried out during the current and subsequent years. Note 2 on this map indicates the consideration to be paid by Scurry Rainbow for the 20% interest acquired in various permits and reservations. Of this consideration Dynamic will receive the sum of $180,000 or 4,500 shares of the capital stock of Scurry Rainbow according to specific terms set forth in our agreement.

The uranium discovery above mentioned triggered a rush on the part of other individuals and companies, unprecedented in the history of the Province of Saskatchewan, to file on mineral exploration permits in the Athabasca Sandstone area, all of which was covered by the airborne radiometric survey conducted by our group of companies. This discovery could very materially affect the future prosperity of this company and its shareholders.

NORTHWEST TERRITORIES

Dynamic is participating with the Dynamic Group in two separate projects in the Northwest Territories. Late last fall staking was completed on an interesting uranium showing and an option agreement has been entered into with a prominent U.S. oil corporation for further exploration of this area during this summer. In the Baker Lake region, the Group recently acquired a major interest in approximately 375,000 acres of permits. This is a new potential uranium area and will be under active exploration this year by many prominent companies.

BRITISH COLUMBIA

Dynamic, in co-operation with associated companies, is continuing its exploration program and the acquisition of mineral claims in the Province of British Columbia through an exploration office established in Kamloops, B.C. Several new groups of mineral claims have been staked or recently acquired and these, together with former holdings, give the company direct interests in many potential mineral areas. Considerable geological and geophysical work has been conducted on many of the claim groups during the past two years with some properties now being scheduled for drilling later this year.

Again, we wish to express our appreciation to all employees and shareholders of the company for their continued interest and loyal support.

Respectfully submitted
on behalf of the Board

FRANK BROWN
President

Calgary, Alberta
May 19, 1969

Dynamic Petroleum Products Ltd.

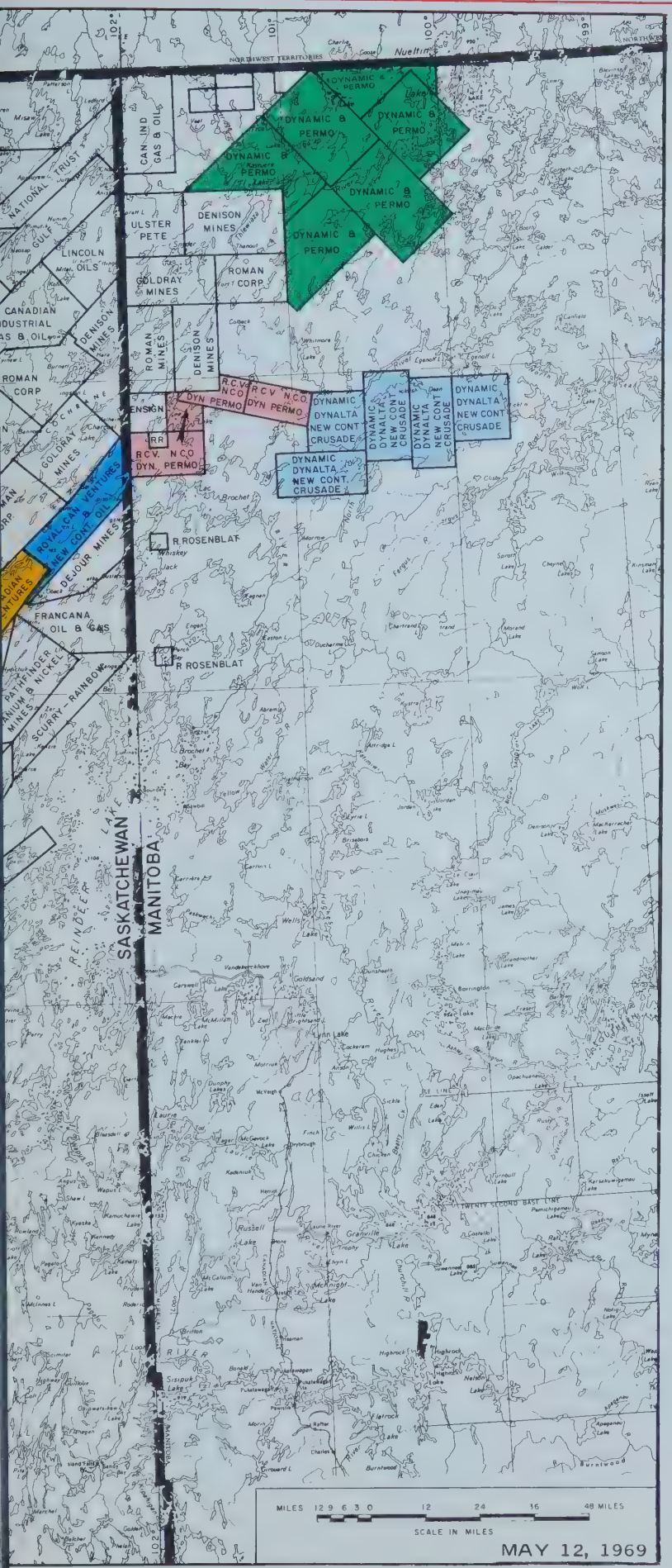
ACREAGE HOLDINGS at December 31, 1968

		ACREAGE	WORKING INTEREST %	
PRODUCING				
Alberta				
Rainbow	P.&N.G. lease	480	8.333	
Rainbow	P.&N.G. lease	320	4.166	
Rainbow	P.&N.G. lease	480	3.	Gross overriding Royalty
Purple Springs	P.&N.G. lease	40	1.5	
Colorado, U.S.A.				
Rangely	P.&N.G. lease	292	10.	
		1,612		
NON-PRODUCING				
Alberta				
Jenner	P.&N.G. lease	19,634	80.	
Jenner	Natural Gas lease	17,779	80.	
Provost	Natural Gas lease	8,969	66.666	
Rainbow	P.&N.G. lease	480	33.333	
Rainbow South	P.&N.G. lease	320	20.	
South Thurston Lake	Reservation	3,840	12.5	
Steel Lake	P.&N.G. lease	640	20.	
		51,662		

		ACREAGE	INTEREST - % Gross overriding Royalty	
Bat Lake	P.&N.G. lease	34,880	0.4253	
Brazeau	P.&N.G. lease	6,721	1.5625	
Chip Lake	P.&N.G. lease	159	2.5	
Hanna	P.&N.G. lease	960	1.25	
Hawk Hills	P.&N.G. lease	20,000	2.5	
Rainbow Lake	P.&N.G. lease	23,840	10.	
Rainbow Lake	P.&N.G. lease	10,080	6.	
Rainbow Lake	P.&N.G. lease	3,520	3.	
Purple Springs	P.&N.G. lease	280	1.	
Saddle Lake	P.&N.G. lease	1,277	4.47	Net carried interest
Zama West	Reservation	3,840	0.75	
		105,557		

	ACREAGE	WORKING INTEREST %	
MINERAL INTERESTS			
Saskatchewan			
Athabasca Sandstone Mineral Prospecting Permits	1,728,000 acres	12.5% interest in 20% defined net profits interest	
Athabasca Sandstone Mineral Prospecting Permits	555,800 acres	12.5	
Manitoba			
Kasmere Lake Mineral Reservations	1,110,500 acres	80.	
British Columbia			
Mineral Claims	471 claims	14.2857	
Mineral Leases	2 leases	14.2857	
Mineral Exploration Permits - Vancouver Island	126,314 acres	14.2857	
North West Territories			
Mineral Claims	200 claims	14.2857	


NORTHWEST TERRITORIES
SASKATCHEWAN
ALBERTA
SASKATCHEWAN
LAKE ATHABASCA
TRANS PRAIRIE
STEPHEN YANIK
S.A. ARSENYCH
NUMAC
TAZIN
WESTERN LAND SERVICES
TRANSOCEAN OIL
ELDORADO
CAMOK
NEW TERRITORIAL MINES LTD.
CANADA SOUTHERN
DUNCAN OIL
CANADIAN PROPANE CONSOLIDATED LTD.
SILVER ARROW
NAMANNI MINES
JABEE MINERALS
HOUSTON OILS & CARSWELL
BUTTES RESOURCES
MAGELLAN PET.
SUMMIT OILS
AMOK LTD.
PENT PETE
HOUSTON OILS & PENTAGON PETE
KIRKLAND TOWNSITE GOLDMINES
CAN BONANZA
KAMALTA EXP
DERRIL G. McLEOD
A.R. BABCHUK LAND CO.
BOW VALLEY
WAINOCO OIL & GAS CHEMICALS
GREAT SLAVE MINES
RANGER OIL
BOW VALLEY LAND CO.
ABATIS EXPLORATION
NORTHWOOD MINING
INTERNATIONAL NUCLEAR
AMERADA PETE
G.J. McGINN MINERAL
CANADA SOUTHERN
WOLLASTON LAKE
CANADIAN BONANZA PETE
GREAT PLAINS DEV. CO
GREAT PLAINS DEVELOPMENT CO
CHEMARGO DEVELOPMENTS
ULSTER PETE
CHOICELAND IRON MINES
SPOONER PETE
MAGELLAN PET.
KIRKLAND TOWNSITE GOLDMINES
DEJOUR MINES
GULF & DYNAMIC GROUP
FAMOK LTD.
INTER NUCLEAR
CANADA SOUTHERN
AMERADA
BUVAL BOSWELL & CANOL
LINCOLN OILS
CANEX AREAL EX.
NORTHWEST EXPLORERS
WORLDWIDE ENERGY
NUMAC MINING
ENSIGN & FORT RELIANCE
C.J. GUDIM
MERLAND OIL
CONSOLIDATED NICHOLSON
KEEVIL MINING
BUTTES RESOURCES
KING RESOURCES
McINTYRE PORCUPINE
RANGER OIL
WESTERN LAND SERVICES
HANSON MINES
YELLOWKNIFE BEAR MINES & CHIEF
ROYAL CAN. VENT. & NEW CONTINENTAL OIL
GREAT PLAINS RESOURCES
HUSKY OIL
VOYAGER PETRO
BUVAL BOSWELL & CANOL MINES
RIVER
CANADIAN INDUSTRIAL GAS & OIL
NUMAC OIL & GAS
ALVIN R. BABCHUK
WORLDWIDE ENERGY
YUKON GEOTHERMAL
CONSOLIDATED SKEENA MINES
DYNAMIC PETROLEUM
DARLING HYDROCARBONS
GOLDRAY MINES
DAVIDSON & CO.
BOMARC MINING CO.
SCURRY-RAINBOW OIL
INTER NUCLEAR CORP.
ROMAN CORP.
CAN-FER MINES
NORTHWOOD MINING
NORTHWOOD DEVELOPMENT CO.
KIRKLAND TOWNSITE GOLDMINES
SUNLITE OIL
BLACK HAWK MINING
DENISON MINES
NORTHWOOD MINING LTD.
GREAT PLAINS DEVELOPMENT
MARK V SYNDICATE
JOHN S. GRANT
VESPAR MINES
ARNOLD PITT & TADEUSZ BUDZICH
ROMAN CORPORATION
SILVER CHIEF
McDONALD INVESTMENTS
CONSOLIDATED SKEENA MINES
TUKTU RESOURCES
PHEASANT EXPLORATION
SABRE PET.
CANADIAN PROPANE
BOZLAN OIL & GAS
NATIONAL TRUST
GULF
CR. 587
CR. 585
CR. 584
CR. 2
TWENTY-SECOND BASE LINE
TWENTY-THIRD BASE LINE
TWENTY-FIRST BASE LINE
TWENTIETH BASE LINE
NINETEENTH BASE LINE
Buffalo Narrows
Ile-à-la-Crosse
Canoe Lake
Churchill
Dillon
Kimowin
Loche
Peter Pond Lake
Clearwater River



WOLLASTON LAKE URANIUM AREA

CANADA

GULF 80% AND THE DYNAMIC GROUP 20%

DYNAMIC PETROLEUM PRODUCTS LTD.
ROYAL CANADIAN VENTURES LTD.
MILL CITY PETROLEUMS LIMITED
CONSOLIDATED EAST CREST OIL COMPANY LIMITED
NEW CONTINENTAL OIL COMPANY OF CANADA LIMITED
CRUSADE PETROLEUM CORPORATION LIMITED
DYNALTA OIL & GAS LTD.

AREA OF COMMON INTEREST as defined under the Gulf - Dynamic Group Agreement — approximately 20,000,000 acres.

ROYAL CANADIAN	20%
NEW CONTINENTAL	20%
EXCEL PETROLEUMS LTD.	40%*
SCURRY-RAINBOW OIL LIMITED	20%**

*Subject to an expenditure of $1,700,000 in a period of four years or less; otherwise the interest reverts to Royal Canadian and New Continental.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of $5,000,000.

ROYAL CANADIAN	20%
NEW CONTINENTAL	20%
SCURRY-RAINBOW	40%*
SCURRY-RAINBOW	20%**

*Subject to an expenditure of $825,000 in a period of four years or less; otherwise the interest reverts to Royal Canadian and New Continental.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of $5,000,000.

ROYAL CANADIAN	10%
NEW CONTINENTAL	10%
DYNAMIC PETROLEUM	16%
PERMO GAS & OIL LIMITED	4%
SCURRY-RAINBOW	40%*
SCURRY-RAINBOW	20%**

*Subject to an expenditure of $678,500 in a period of four years or less; otherwise the interest reverts to Royal Canadian and New Continental.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of $5,000,000.

DYNAMIC PETROLEUM	32%
PERMO GAS & OIL LIMITED	8%
SUNLITE OIL COMPANY LTD.	40%*
SCURRY-RAINBOW	20%**

*Subject to an expenditure of $800,000 in a period of two years or less; otherwise the interest reverts to Dynamic Petroleum and Permo Gas & Oil Limited.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of $5,000,000.

DYNAMIC PETROLEUM	25%
DYNALTA OIL & GAS CO. LTD.	25%
NEW CONTINENTAL	25%
CRUSADE PETROLEUM	25%

THE DYNAMIC GROUP 87½%

NEW CONTINENTAL	50%
ROYAL CANADIAN	50%

24 Mineral Claims

NOTE 1

The net profits interest retained by the Dynamic Group of Companies under the terms of the Gulf agreement before and after taking into consideration the inter-company share ownership, is shared approximately as follows:

	Direct Interest %	Approximate Indirect Interest in Inter-Company Shareholdings %	Total %
Dynamic Petroleum Products Ltd.	12.50	12.99	25.49
Royal Canadian Ventures Ltd.	12.50	5.00	17.50
Mill City Petroleums Limited	12.50	13.78	26.28
Permo Gas & Oil Limited	—	19.24	19.24
New Continental Oil Company of Canada Limited	12.50	3.57	16.07
Consolidated East Crest Oil Company Limited	12.50	0.26	12.76
Crusade Petroleum Corporation Limited	12.50	0.22	12.72
Dynalta Oil & Gas Co. Ltd.	12.50	0.25	12.75
	87.50	Totals not Applicable	

NOTE 2

Scurry-Rainbow Oil Limited acquired its 20% interest in the various agreements indicated in the legend for a consideration of 15,000 shares of Scurry-Rainbow or $600,000, and also an undertaking by Scurry-Rainbow to assume and pay 60% of such additional expenditures as may be required up to a maximum of $5,000,000 on each of the four agreements for a total of $20,000,000 maximum.

NOTE 3

The permits on this map are in the names of the companies as shown and compiled from information believed to be reliable but not guaranteed.

These permits give the holder the right to explore for all minerals (including uranium) but excepting petroleum and natural gas, coal, and in Saskatchewan, those described as alkali minerals.

Average Permit size - 192,000 acres (300 square miles).

BALANCE

DECEMBER 31, 1968

ASSETS

	1968	1967
CURRENT		
Cash	$ 259,110	$ 54,951
Short term deposits	915,000	530,000
Marketable securities - at cost (quoted market value 1968 - $4,750; 1967 - $864)	5,400	730
Accounts receivable	26,004	28,629
Materials and supplies - at cost	1,086	1,086
	1,206,600	615,396
OTHER		
Operating and performance deposits	15,325	28,207
INVESTMENTS		
Shares of subsidiary companies - at cost, less amounts written off (Note 2)	102	102
Shares of other companies - at cost:		
Crusade Petroleum Corporation Limited (Quoted market value 1968 - $280,500; 1967 - $22,440)	18,073	18,073
Mill City Petroleums Limited (Quoted market value 1968 - $4,298,180; 1967 - $2,029,696)	373,709	373,709
Royal Canadian Ventures Ltd. (Quoted market value 1968 - $8,500,000; 1967 - $595,000)	367,858	367,858
Other, including advances in 1967 of $1,614 (No quoted market value)	626	2,597
	760,368	762,339
PROPERTY, PLANT AND EQUIPMENT - at cost		
Mining interests	2,642	486
Petroleum and natural gas interests	427,478	325,981
Well development costs	178,057	208,583
Production and other equipment	58,788	51,066
	666,965	586,116
Less accumulated depletion and depreciation	79,645	73,150
	587,320	512,966
	$2,569,613	$1,918,908

See accompanying notes

Products Ltd.

SHEET

(with comparative figures for 1967)

LIABILITIES

	1968	1967
CURRENT		
Accounts payable	$ 15,410	$ 137,319
SHAREHOLDERS' EQUITY		
Capital Stock (Note 3)		
Authorized		
10,000,000 shares without nominal or par value not to exceed in the aggregate on issue $3,500,000		
Issued		
7,571,632 shares (1967 - 6,921,632)	3,497,140	2,782,140
Deficit	942,937	1,000,551
	2,554,203	1,781,589

APPROVED ON BEHALF OF THE BOARD

R. C. BROWN, Director.
ROGER D. PAUGH, Director.

	$2,569,613	$1,918,908

to financial statements.

Dynamic Petroleum Products Ltd.

STATEMENT OF INCOME AND DEFICIT

For the Year Ended December 31, 1968

(with comparative figures for 1967)

	1968	1967
REVENUE		
Crude oil sales, less royalties	$ 8,725	$ 13,942
Less production expenses	8,536	4,762
	189	9,180
Royalties	30,189	34,452
Interest	69,013	17,724
	99,391	61,356
EXPENSE		
Administrative and general	68,648	58,495
Exploration and survey costs	77,149	90,566
Lease rentals and other carrying costs	18,206	25,200
	164,003	174,261
CASH LOSS FROM OPERATIONS	64,612	112,905
ADD		
Depletion	1,750	3,188
Depreciation	4,744	4,581
Write-off of advance to affiliated company	1,623	
Abandonments:		
Petroleum and natural gas and mining interests	8,608	46,175
Well development costs	111,491	77,240
	128,216	131,184
DEDUCT		
Gain on sale of securities	109	
Gain on sale of properties	22,333	103,374
Cash proceeds from lawsuit settlement - net after legal fees	228,000	
	250,442	103,374
NET PROFIT (LOSS) FOR THE YEAR	57,614	(140,715)
DEFICIT, beginning of year	1,000,551	859,836
DEFICIT, end of year	$ 942,937	$1,000,551

See accompanying notes to financial statements.

Dynamic Petroleum Products Ltd.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the Year Ended December 31, 1968

(with comparative figures for 1967)

	1968	1967
SOURCE OF FUNDS		
Issue of treasury shares	$ 715,000	$ 18,000
Proceeds from sale of securities	466	101,760
Proceeds from sale of properties	18,750	423,750
Decrease (increase) in operating and performance deposits	12,882	(28,207)
Cash proceeds from lawsuit settlement - net after legal fees	228,000	
	975,098	515,303
APPLICATION OF FUNDS		
Cash loss from operations	64,612	112,905
Investments in and advances to other companies	9	1,617
Petroleum and natural gas interests	110,000	226,877
Well development costs (including dry holes)	77,553	213,657
Production and other equipment - net	7,552	18,649
Mining interests	2,259	82
	261,985	573,787
INCREASE (DECREASE) IN WORKING CAPITAL	713,113	(58,484)
WORKING CAPITAL - beginning of year	478,077	536,561
WORKING CAPITAL - end of year	$1,191,190	$ 478,077

See accompanying notes to financial statements.

Dynamic Petroleum Products Ltd.

NOTES TO FINANCIAL STATEMENTS

December 31, 1968

1. ACCOUNTING POLICY

The company's policy is to capitalize the acquisition costs of petroleum, natural gas and mining interests together with drilling and development costs. Carrying costs and exploration expenses are charged against income as incurred. Acquisition costs and drilling and development costs of producing properties are depleted on a unit of production basis and equipment costs are written off over their estimated useful life. The costs of non-producing properties and unproductive development are charged against income in the year of abandonment.

2. SUBSIDIARY COMPANIES

The company has three wholly-owned subsidiary companies, all of which were inactive during the year. The results of all operations of prior years of these subsidiary companies since date of acquisition have been reflected in the accounts.

3. CAPITAL STOCK

During the year the company issued 650,000 shares to New Continental Oil Company of Canada Limited for a cash consideration of $715,000.

4. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The company bears a portion of the total remuneration paid to its directors and senior officers who are paid by an affiliated company. The amount of remuneration allocated to the company during the year amounted to $19,445 which is included in administrative and general expense.

5. INCOME TAXES

Under Canadian income tax law, exploration and development expenditures including certain property acquisition costs may be deducted from income, or, if such expenditures exceed the income for the year, the excess may be carried forward to subsequent years. No provision for income taxes was required for the years ended December 31, 1968 or 1967 and an excess of such expenditures of approximately $1,316,000 (excluding amounts carried forward from predecessor corporations) was available to be carried forward against future taxable income.

The Company is of the opinion that it is not appropriate to provide for income taxes deferred as a result of timing differences between accounting income and taxable income as recommended by the Canadian Institute of Chartered Accountants. However, in the years ended December 31, 1968 and 1967 and as at December 31, 1968 there was no deferred income tax liability as a result of such timing differences.

AUDITORS' REPORT

To the Shareholders of

Dynamic Petroleum Products Ltd.

We have examined the balance sheet of Dynamic Petroleum Products Ltd. as at December 31, 1968 and the statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and application of its funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PURDY, GILES, WYLLIE AND CO.
Chartered Accountants

Calgary, Alberta
April 1, 1969

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